

COPY



GOVERNMENT
DEVELOPMENT
BANK FOR
PUERTO RICO

August 1, 2008

PO Box 42001

San Juan, PR 00940-2001

Telephone (787) 722-2525

Dr. Luis M. Trinidad Garay
Executive Director
Puerto Rico Highway and Transportation
Authority
Minillas Government Center - Seventh Floor
De Diego Avenue, Stop 22
Santurce, Puerto Rico

*Received by
Dr. Trinidad
8/6/08*

Dear Mr. Trinidad:

The Executive Committee of the Board of Directors of Government Development Bank for Puerto Rico (the "Bank") adopted Resolution EC-1697 to authorize a line of credit of \$147,113,000 (the "Loan") to the Puerto Rico Highway and Transportation Authority ("the Authority") to pay costs incurred or to be incurred in the acquisition, construction, equipping, installation and development of the Authority's facilities and authorizing related action in connection therewith.

This loan is subject to the following terms and conditions:

1. The loan for the benefit of the Authority in an amount of \$147,113,000, which purpose is the financing of costs incurred or to be incurred in the acquisition, construction, equipping, installation and development of improvements to the facilities chargeable to the capital account of the Authority is hereby authorized. Proceeds of the Loan will be used to pay such costs or to reimburse the Authority's Construction Fund, created and established under Resolution 68-18, adopted by the Authority on June 13, 1968, as amended, (the "1968 Resolution"), or the Authority's Construction Fund created and established under Resolution 98-06 adopted by the Authority on February 26, 1998, as amended (the "1998 Resolution") (collectively, the "Resolutions"), for the payment of such costs.
2. The principal amount of the Loan shall mature and be due and payable on June 30, 2009. Said principal amount shall be payable from proceeds of bonds to be issued by the Authority pursuant to the provisions of the respective sections of the Resolutions, or with the proceeds of the Operational Management Agreement for the Private/Public Partnership on Highway PR-22 to be entered by the Authority with a third party yet to be determined. The President of the Bank is hereby authorized to extend further, if necessary, the maturity date of the Loan from time to time, but in no event will the maturity of the Loan be extended beyond June 30, 2011. The Loan shall bear interest until paid in full at a rate or rates per annum determined in accordance with the Loan Agreement, to be entered by and between the Bank and the Authority (the "Loan Agreement").

Dr. Luis M. Trinidad
PRHTA-Line of credit \$147,113,000
August 1, 2008
Page 2

Interest shall be payable monthly in arrears not later than the tenth Banking Day (as defined in the Loan Agreement) following receipt from the Bank of the statement referred to in the next sentence of this paragraph, from any available moneys of the Authority. Each month the Bank shall furnish to the Authority a written statement showing the amount of interest due and payable by the Authority on the Loan for the preceding month. The Authority may prepay the Loan at any time without penalty or premium. The Loan shall be junior and subordinate to outstanding bonds of the Authority and shall be subject to certain other terms and conditions, to be included in the Loan Agreement.

3. The Loan is subject to the following conditions:

- a) The Authority will provide a guarantee to the effect that in the case the PR-22 Operating and Management Agreement Process (PR-22 OMA) and other debt restructuring measures are not successfully implemented, or do not produce the projected benefits, it will implement the necessary increases in tolls to ensure compliance with bond indenture requirements and to allow repayment of the Loan to protect the rating of its bonds.
- b) The Authority will formally pledge in the legal documents evidencing the Loan unencumbered assets (ie.: lands, buildings, etc.) to guarantee repayment of the Loan should the PR-22 OMA process not be successfully implemented, or does not produce the projected benefits, and/or toll increases referred to above are not implemented as required. Prior to the closing, the Authority will be submitting to GDB a list of properties offered as guarantee with the corresponding estimated value and environmental guarantees for the corresponding evaluation and acceptance by GDB's management. Disbursements will be limited to the value of the properties presented by the Authority and upon the Bank's acceptance.
- c) Submit to the GDB's Board of Directors monthly updates on the progress of the Public and Private Partnership transaction on PR-22. Monthly disbursements will be contingent upon GDB's Board satisfaction with the progress of the transaction and its probability of completion.
- d) The Authority will review its Construction Improvement Program (CIP) to limit the number of projects in the Program to those funded with federal assistance moneys, those already contracted or under construction and those with legislature funding. The Authority, prior to commit any resources in the construction of project, will certify to GDB having identified the source and availability of the funds for those projects and obtain the consent of GDB for the use of said funds.

Handwritten signatures and initials in the left margin, including a large signature at the top and several smaller initials below it.

Dr. Luis M. Trinidad
PRHTA-Line of credit \$147,113,000
August 1, 2008
Page 3

- e) The Authority will perform an analysis of its operational expenses to reduce said expenses within its forecasted period. The Authority will immediately implement the necessary measures to maintain its annual operational expenses below the present level for the forecasted period (2009-2013).
- f) The execution and delivery by the President, the Executive Vice President, any Senior Vice President, or any Vice President of the Bank, of the Loan Agreement by and between the Bank and the Authority are hereby authorized. Upon the execution and delivery of the Loan Agreement, the Authority shall execute a note in the principal amount of the Loan.
- g) If there is no disbursement activity on this additional loan for a period of six months after its approval by the Board of Director of the Bank, the loan shall be cancelled automatically.
- h) This Resolution is intended to be a declaration of official intent under U.S. Treasury Department Regulation Section 1.150-2.
- i) The President, the Financing Executive Vice President, any Senior Vice President, or any Vice President of the Bank are hereby authorized to take all actions necessary of them to carry out the provisions of this Resolution.

If you are agreed with these terms and conditions, please sign and return to us the copy enclosed.

Cordially,



Luis Alfaro
Executive Vice President
Financing

Enclosures

